

U.S.-KOREA TRADE AGREEMENT

Colorado Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Colorado agricultural products, including beef, dairy, and wheat. Colorado's agricultural exports to all countries, estimated at \$1.1 billion in 2009, supported about 8,800 jobs, both on and off the farm. These export sales make an important contribution to Colorado's farm economy, which had total cash receipts of \$5.6 billion in 2009.

Cattle and Beef. Colorado's cattle and calf industry leads all other agricultural industries in the state with more than \$2.6 billion in cash receipts in 2009, or 47 percent of the state's agricultural sector total. The state's exports of cattle and beef were estimated at \$259 million that same year. The KORUS agreement will provide many benefits to the cattle industry.

- For beef muscle meats, the KORUS agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the KORUS agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

Dairy Products. Colorado dairy producers are the state's fifth largest source of farm cash receipts at \$359 million in 2009. Under the KORUS agreement:

- Duty-free tariff rate quotas (TRQ) will be established for cheese, skim/whole milk powder, food whey, and butter.
- U.S. feed whey exports, which totaled \$8 million in 2009, will gain duty-free access to the Korean market immediately upon implementation.

Wheat. Colorado's wheat exports were \$325 million in 2009. The KORUS agreement will provide many benefits to the state's wheat growers.

- An unlimited amount of U.S. wheat for milling can enter Korea duty free upon implementation of the agreement.
- Korea's imports of U.S. wheat will no longer be subject to Korea's 1.8-percent tariff or its autonomous TRQ of 1 percent.
- Although this tariff differential may be small, it provides a small tariff advantage when competing against Canada and Australia.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	Colorado to World
Cattle and Beef	\$6,703,000,000	\$259,000,000
Dairy Products	\$2,335,000,000	\$26,000,000
Wheat	\$8,598,000,000	\$325,000,000
Agricultural Total	\$96,632,000,000	\$1,113,000,000

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.